

# **MINUTES**

## **MICHIGAN FOREST FINANCE AUTHORITY (MFFA or Authority)**

### **Board of Director's Meeting**

**Wednesday, July 26, 2006**

**Stevens T. Mason Building**

**6<sup>th</sup> Floor, Conference Room 6-East**

**Lansing, Michigan**

### **AUTHORITY BOARD OF DIRECTOR'S PRESENT**

Mr. Tom Saxton, Deputy Treasurer, Bureau of Bond Finance, Department of Treasury (Chair)  
(Representing State Treasurer Robert Kleine)

Director Rebecca A. Humphries, Department of Natural Resources (DNR) (Vice-Chair)

Mr. James Smiertka, Department of Labor & Economic Growth (DLEG)  
(Representing Director Robert Swanson, DLEG)

Mr. Paul Eisele, Consultant

Mr. Shawn Hagan, The Forestland Group

Mr. Garrett Johnson, The Nature Conservancy

Ms. Karen Potter-Witter, Michigan State University, Department of Forestry

Mr. Kelvin Smyth, NewPage Corporation

Mr. Warren Suchovsky, Suchovsky Logging

### **MICHIGAN FOREST FINANCE AUTHORITY OTHERS PRESENT**

Mr. Terrence P. Grady, Office of the Attorney General

Ms. Lisa Hagan, Office of the Attorney General

Mr. Joseph Fielek, Director, Bureau of Bond Finance

Ms. Mindy Koch, Resource Management Deputy, DNR

Ms. Lynne Boyd, Forest, Mineral and Fire Management (FMFM)/DNR

Mr. Ron Murray, FMFM/DNR

Ms. Sandy Simpson, FMFM/DNR

Mr. George Berghorn, Michigan Forest Products Council

### **CALL TO ORDER**

**Chair Saxton** called the Michigan Forest Finance Authority Board meeting to order at 2:10 p.m. and welcomed attending board members and audience.

### **APPROVAL OF AGENDA**

**Chair Saxton** asked for approval of the meeting Agenda.

**MOTION:**     **Mr. Smyth** moved approval of the Agenda, supported by **Mr. Suchovsky**,  
Motion carried.

Discussion continued to clarify the process for presenting/approving resolutions and the role of the MFFA subcommittees. **Mr. Grady** explained the protocol for referring items to the subcommittees and raising issues for consideration by the Board. The Board may set appropriate time frames for consideration of recommendations from the MFFA subcommittees, but generally, subcommittees would report back at the next scheduled meeting of the Board. However, **Mr. Grady** indicated that the Board could set any timetable. **Director Humphries** stated that this issue was not specifically covered in the bylaws for Authority and may be addressed in the draft Memorandum of Understanding being prepared.

### **APPROVAL OF MINUTES**

**MOTION:**   **Mr. Eisele** moved approval of the June 8, 2006 minutes, supported by **Mr. Suchovsky**.  
Motion carried.

### **PUBLIC COMMENTARY**

None.

### **RESOLUTIONS**

**Red Pine Project Proposal and Resolution No. 2006-05 – Mr. Murray** provided background and explained the impact of the proposal. A revised resolution was presented indicating the adjusted funding amount to allow consistency with the proposal as presented. **Mr. Murray** explained the need for a three-year project plan, how the revenues would be allocated in state funding, and how tracking mechanisms would be implemented to assure accountability. If Authority funds and revenue derived from investments made with them are to be tracked separately, **Director Humphries** stated that further discussion is needed for specific details of the funding plan. **Mr. Eisele** raised the question of whether it would not be necessary to separate the funds in the event of the Authority making substantial revenues and the potential to bond some activities at a later date. **Mr. Eisele's** comments were so noted. The Board members were informed that the DNR has the capabilities to use separate account coding for this activity. **Resource Management Deputy, Mindy Koch**, indicated that the DNR could track it separately and would continue to go through the legislative appropriations process.

**Mr. Suchovsky** commented on the benefits of reporting earnings separately to allow a paper trail for the auditors and proof of returns for future bonding.

Discussed performing an economic feasibility study and presented the request for proposals from the DNR for this project. **Mr. Murray** discussed the impacts on the industry relative to the Red Pine market and potential to provide materials for out of state.

**Mr. Eisele** inquired about long-term projects, and putting a mechanism in place to fund projects and audit its performance. **Mr. Murray** clarified that the Red Pine project funding will generate quick returns. However, the Integrated Forest Monitoring Assessment Prescription (IFMAP) and archeological study will not generate direct revenues, but will cause potential reductions in timber sale revenues if not spent.

The Board discussed aspects for multi-year projects. The IFMAP project is critical to complete, start to finish. A wall-to-wall view is needed. Certification auditors are asking for the various elements of this inventory to be in more quickly than could be accomplished under normal operating conditions. It is not the DNR's recommendation to stop after one or two years. The project will be evaluated at the end of three years. The Board discussed aspects for accelerating the Red Pine feasibility study for the economic analysis for the vegetative management regimes.

**MOTION:** **Mr. Eisele** moved approval of Resolution No. 2006-05, recommending that it be moved from an information only item to an action item on the agenda, supported by **Mr. Smyth**.

Discussion continued regarding adopting Resolution No. 2006-05 and the general process for adopting resolutions. Although it was presented as an information item on the agenda, members of the Board discussed the proper protocol(s) for approving and adopting resolutions. **Mr. Grady** clarified that an agenda item could be adopted at a point where the Board felt it had enough information to make the appropriate determination. **Mr. Eisele** stated that the Timber and Markets Subcommittee had considered the proposal at length and endorses the adoption of Resolution No. 2006-05.

**Mr. Eisele** withdrew his motion with the concurrence of **Mr. Smyth**, since the portion of the motion to reclassify the resolution was considered unnecessary.

**MOTION:** **Mr. Smiertka** moved adoption of Resolution No. 2006-05, supported by **Mr. Smyth**.  
Motion carried.

**Ms. Hagan** commented that Resolution 2006-05 is tied to the Resolution No. 2006-08 and the latter will need to be amended to remove the two projects not being adopted, and to provide funding for the Red Pine project in the amount consistent with the proposal as adopted.

**Integrated Forest Monitoring, Assessment, and Prescription (IFMAP) Proposal and Resolution No. 2006-07** – **Mr. Murray** continued to discuss the IFMAP project. The goal of the IFMAP is to send inventory staffing into the state forest stands to ascertain cover types and variables to gain information critical when doing planning and other forest management operations. According to the DNR policy, timber sales are only allowed on state forest lands that have gone through the inventory and planning process first. Forest certification demands that the DNR follow its policies and procedures as well. To make good planning and management decisions, foresters need baseline data and information to know where to start.

While reviewing the Stage 1, additional inventory information on bridges, culverts, roads, etc. can be collected and loaded into the IFMAP-Graphic Information Systems (GIS) database. This will record the best management practices and site damage survey information as well. The DNR wants to do this part of the inventory over a three-year period, using 30 temporary people who are foresters. Two of the 30 will be coordinators.

**Mr. Murray** explained the process for the GIS. This job could be done year round. Funds would be used to add the staff and buy the equipment (laptop with GIS), imagery (NAP – true color imagery), supply with vehicles, mileage, and other travel costs.

**Mr. Murray** indicated that Resolution No. 2006-07 does not require immediate action.

**MOTION:** **Mr. Smiertka** moved to refer the Integrated Forest Monitoring, Assessment, and Prescription (IFMAP) Proposal and Resolution No. 2006-07 to the MFFA Protection and Research Subcommittee for further review and report back to the MFFA Board at its September 28, 2006 meeting, supported by **Mr. Hagan**.  
Motion carried.

**Archeological Inventory of State Forest Lands Proposals and Resolution No. 2006-06 –**

**Mr. Murray** explained the Archeological Inventory on state forest lands is part of IFMAP, but a separate proposal, and needs archeological expertise. In addition, it is required by forest certification. The proposal and certification both require training of FMFM staff to identify what may be archeological sites. Per the proposal, the DNR asks the State Archeologist's office to train DNR FMFM field staff to make such preliminary identifications. There is a database of known archeological sites that is only readily available to the State Archeologist's office, but DNR can use it, but is not very efficient. The DNR is seeking to assist the State Archeologist's office to improve that database and provide appropriate, convenient, and timely access for DNR to avoid inadvertent damage to an archeological site. Placing basic information (with appropriate "fuzzing") into IFMAP, allows foresters and other DNR personnel contemplating operations on parcels of land to check the IFMAP database for "flagged" area(s). If a flagged area is discovered, the DNR personnel would contact the state archeologist's office for specifics. The State Archeologist's office seeks to perform digs (elaborate or small) at several sites to determine exactly what they are at these specific locations. Details for travel are not precisely worked out as presented in the initial proposal (details are negotiable).

The DNR is asking for sizeable funding to do the wall-to-wall inventory. The largest cost of field inventories is getting observers to the site. Once on site, the cost is minimal to ascertain where the archeological sites are and to provide this inventory to certification auditors.

Because the Archeological Inventory of State Forest Lands Proposals/Resolution No. 2006-06 is tied to the IFMAP proposal, **Chair Saxton** asked for a motion to refer to the MFFA Protection and Research Subcommittee for further review and report back to the Board at its September 28, 2006 meeting.

**MOTION:**    **Mr. Suchovsky** moved to refer the Archeological Inventory of State Forest Lands Proposals/Resolution No. 2006-06 to the MFFA Protection and Research Subcommittee for review and report back to the Board at its September 28, 2006 meeting, supported by **Mr. Eisele**.  
Motion carried.

**Mr. Suchovsky** noted that over time it could be important to add private lands into this type of study.

**Mr. Murray** noted that the National forests has done this process this for several years and the addition of the State forest lands will complete a much larger portion of the landscape.

**Mr. Eisele** commented that the proposal has good round figures. He specifically asked that the subcommittee review the budget for this project to ensure the figures were as true as possible.

**Mr. Murray** stated the proposal received a lot of thoughtful planning relative to cost estimations and offered that the State Archeologist's office does not typically conduct this large of a project. **Mr. Murray** also reiterated that it is a forest certification issue and must be done to maintain the certification. Additionally, **Mr. Murray**, shared figures proposed by the State Archeologist's office could be refined. The cost structure on the national forest is similar and the subcommittee will review further.

**Application for Funding to the Michigan Strategic Fund for Red Pine, IFMAP, and Archaeological Proposals and Resolution No. 2006-08**

**MOTION:**    **Mr. Smiertka** moved approval of Resolution No. 2006-08, with the deletion of the proposals referenced as Resolutions No. 2006-06 and No. 2006-07 which had been referred to the MFFA Protection and Research Subcommittee, supported by **Mr. Smyth**.  
Motion carried.

Discussion continued. The DNR will take action to send out a press release out on the Red Pine Project.

**RESOLUTIONS FOR ACTION**

**Request for Proposals (RFP)/Economic Analysis and Resolution No. 2006-03 – Mr. Murray** described the bidding process relative to the RFP, and because it is under \$25,000, can be awarded relatively quickly. **Ms. Hagan** suggested that the title of the resolution be changed to reflect appropriate name of the Board as "MICHIGAN FOREST FINANCE AUTHORITY."

**MOTION:**    **Mr. Smyth** moved adoption of Resolution No. 2006-03 with title correction to remove the word "DEVELOPMENT" from the title, supported by **Ms. Potter-Witter**.  
Motion carried.

**Funding RFP Request (up to \$25,000) and Resolution No. 2006-04 – Mr. Murray** indicated this can be done for under \$25,000. Board asked for a revision to the title of the Resolution No. 2006-04 same as Resolution No. 2006-03, to accurately reflect the name of the Board as "MICHIGAN FOREST FINANCE AUTHORITY."

**MOTION:**    **Mr. Suchovsky** moved adoption of Resolution No. 2006-04 with title change, supported by **Mr. Johnson**.  
Motion carried.

### **MFFA SUBCOMMITTEES**

**Timber and Markets:** **Mr. Eisele** shared the subcommittee had not met, but will convene prior to the September 28, 2006, MFFA Board meeting. **Mr. Eisele** mentioned that the subcommittee is expecting a proposal on wood bio-mass utilization in Michigan from NextEnergy and will receive a presentation by Mr. Steve Ruddell, Director of Forest Investments and Sustainability, FORECON, Inc. relative to wood carbon credits.

**Protection and Research Subcommittee:** No report.

### **NEXT MEETING DATE**

**Thursday, September 28, 2006**  
2 p.m. – 5 p.m.  
Mason Building  
6<sup>th</sup> Floor, 6-East Conference Room  
Lansing

### **ADJOURNMENT**

**MOTION:**    **Mr. Hagan** moved to adjourn, supported by **Mr. Johnson**.  
Motion carried.

Meeting adjourned at 3:35 p.m.